

# Memorandum

To: Panel Members Date: May 23, 2002

From: Ron Tagami, Manager  
Peter DeMauro, General Counsel Analyst: N. Weingart

Subject: One-Step Agreement for **Applied Companies <100**  
(www.appliedcompanies.net)

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace  
Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing Heating, Ventilation & Air Conditioning
- Repeat Contractor: No
- Contractor's Full Time Employees:
  - Company Wide: 56
  - In California: 56
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$98,304
- Substantial Contribution: \$0
- Total ETP Funding: \$98,304
- In-Kind Contribution: \$200,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

**SUBCONTRACTORS:** None

**THIRD PARTY SERVICES:**

Myers Organizational Development & Consulting assisted with completion of application for ETP funds. Amount reimbursed for services is \$6,000, which the applicant states is based on a flat rate.

**NARRATIVE:**

Applied Companies, a manufacturer, is eligible to provide ETP training under Title 22, California Code of Regulations 4416(b), which states: "A company engaged in manufacturing is deemed to meet the out-of-state competition requirements for purposes of Panel funding if that company meets the Definition of Division D, Manufacturing as contained in the Standard Industrial Classification (SIC) Manual. The Contractor also meets ETP's funding priorities to develop workers with skills that prepare them for the challenges of a high performance workplace of the future and of promoting the retention and expansion of the state's manufacturing workforce as specified in Unemployment Insurance Code, Section 10200 (b)(3)(7).

Applied Companies designs, manufactures, installs and services customized heating, ventilation, and air conditioning (HVAC) systems for military and commercial use. The company specializes in two major product lines: environmental control units (ECU) and high pressure compressed gas cylinders, which account for 70 percent of the business. Custom facilities construction, third-party cogeneration systems, and process system projects account for the remaining 30 percent. Applied Companies was founded in 1958 by Barney Klinger with the merger of two businesses: Applied Environments and Applied Equipment Company. Today Applied Companies manufactures products for the U.S. government (primarily defense) as well as customers such as Raytheon Systems, General Dynamics, and Lockheed Martin. Over 90 percent of the products are shipped to customers in other states. The company's gross revenue for 2001 was in excess of \$7 million generated from its only facility in Valencia, California that employs a total of 56 full-time workers.

For the past 44 years, Applied Companies has been a small, but effective operation making reliable, quality products. Because of its reputation, the number of businesses is currently increasing. The company is now poised for a dramatic spurt in growth and must shift from a "mom and pop", small-business mentality to a more sophisticated operation to continue to compete with larger companies in a worldwide marketplace. To this end, the company is planning to shift to a high performance workplace environment by improving operations, equipment, workflow, and employee skills. The company has already invested more than \$100,000 in new equipment including computers and laser printers, and a CAD/CAM (computer-aided design and machining) system and leased 5,000 square feet of additional warehouse space next door to the manufacturing facility. Applied must now implement continuous improvement measures and utilize computer skills to complete the process. This transition will require training on a company-wide basis to give employees the skills they need to meet new levels of performance.

**NARRATIVE:** (continued)

Applied Companies has traditionally operated with a top down management style. Now, it must change the way it does business by transitioning problem solving, decision-making, and product innovation to frontline workers. The company must pull together the "pieces" each department contributes through a standardized quality system and reorganize its internal workflow processes to increase efficiency and productivity. If this does not happen, Applied will lose its competitive edge and out-of-state competitors such as Engineered Environmental, Inc. (EEI), Ohio; Keeco, Kentucky; Specific Systems, Oklahoma; Air Technology Systems, Inc., Ohio; and Ellis & Watts, Ohio will pick up Applied Companies business.

**Continuous Improvement Skills**

Equipment operators, assemblers, managers, leads, and administrative support staff will receive Continuous Improvement training in Team Development, Problem Solving, Quality Skills, Production Process, an overview of Equipment Operations, and Customer Service. This training will allow the trainees to work in a team environment which requires them to understand how each function relates to the entire operation.

**Leadership Skills**

Managers and leads will also receive Leadership Skills to provide direction in transitioning decision-making and problem solving to frontline workers in a team environment.

**Computer Skills**

In addition, staff will receive Computer Skills training in Word, Excel, Outlook, MRP (Peachtree Manufacturing Resource Planning software), PowerPoint and Bar Code System skills that correspond to their specific job responsibilities.

All training will take place at the Valencia facility. As a result of the training, Applied hopes to see an increase in throughput, on-time delivery rate, and market share; and a reduction of internal waste and rework, inventory, and operating costs. This training will provide the skills to give workers the capabilities to assume a greater role in this plant's future success, provide long-term job security and high wage paying jobs. The Contractor will administer the Agreement.

**Supplemental Nature of Training**

Applied Companies' recent training practices include class/lab training in quality, traditional leadership skills, and production skills on an as-needed basis only and some "on-the-job" training on production equipment provided by original equipment manufacturers and company leads. Current training has been for select workers only, rather than an organizational-wide effort, and has met with limited effectiveness in making needed improvements.

The ETP training will enable Applied to implement a well-developed, comprehensive training program in all departments. The Continuous Improvement and Computer Skills training in this Agreement will be given for the first time. ETP funding will allow the company to provide more training to more workers than would otherwise be possible under current budget constraints.

At the completion of ETP contract, approximately \$100,000 will be invested to reinforce the fundamental skills training given under this project. The company also plans to provide additional safety and quality skills to assure the employees continue to grow with the business and improve the plant's future success.

**NARRATIVE:** (continued)

**In-Kind Contribution**

Applied Companies' in-kind contribution to this program is approximately \$200,000 which consists of over \$100,000 in regular and overtime trainee wages and benefits while in training; and \$100,000 for training-related costs not covered by ETP funds for training materials, development fees, administrative costs, the value of some lost production, and temporary replacement workers for some class/lab training time.

**COMMENTS:**

The Contractor's signed letter certifies that none of the staff that sets company policy has been included in this Agreement.

**PROPOSED ACTION:**

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets the Panel priorities. This recommendation is based on Applied Companies' need to provide its employees with high performance workplace skills to remain competitive and grow by providing quality products that meet or exceed customer expectations.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Retraitees Jobs 1-2	Continuous Improvement & Computer Skills	54	46-75	0	75-92	\$1,656-\$2,100	\$11.78-\$69.18
					<b><u>Range of Hourly Wages</u></b>		
					\$11.78-\$69.18		
					<b><u>Prevalent Hourly Wage</u></b>		
					\$15.06		
					<b><u>Average Cost per Trainee</u></b>		
					\$1,820		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> N/A.					<b><u>Turnover Rate</u></b>	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b>	
					19%	N/A	

## **Applied Companies MENU CURRICULUM**

<b>Hours</b>	
<b><u>Class/Lab</u></b>	<b><u>Trainer SOST</u></b>
(Job 1) 46	312
(Job 2) 75	150

Trainees will receive a combination of the following:

### **CONTINUOUS IMPROVEMENT SKILLS**

- ◆ Team Development
- ◆ Problem Solving
- ◆ Quality Skills
- ◆ Leadership Skills
- ◆ Production Process / Workflow
- ◆ Equipment Operations
- ◆ Customer Service

### **COMPUTER SKILLS**

- ◆ Word
- ◆ Excel
- ◆ Outlook
- ◆ Peachtree Software (MRP)
- ◆ PowerPoint
- ◆ Bar Code System

### **SOST Trainer Activity Plan (Continuous Improvement)**

#### **Team Development**

1. Discuss and document the potential impact on lessons learned on your team's performance
2. Discuss and prepare a plan for applying lessons learned when working as a team
3. Discuss and review what trainees have learned about new communication skills
4. Coach individual team members concerning roles and responsibilities
5. Provide feedback on occurrences during a team meeting

#### **Problem Solving**

- 1) Assist trainee to develop a brief list of expectations
- 2) Assign the task of writing a one-page plan to support performance improvement
- 3) Help trainees identify a problem, develop a problem-solving plan, and successfully implement resolution of the problem
- 4) Assess trainees ability to resolve problems to insure the problem does not replicate

#### **Quality Skills**

1. Assign the task of developing a detailed list of expectations
2. Assist trainees to write a comprehensive plan to support performance improvement
3. Coach/critique trainees in improving the process
4. Evaluate trainees' ability to manage time in a more effective manner

## **SOST Trainer Activity Plan (continued)**

### **Leadership Skills**

1. Assist trainees to apply learned coaching skills with subordinates
2. Observe and assist trainees to make use of learned forward thinking techniques
3. Assist trainees to apply learned motivational techniques by working with a new employee
4. Observe/critique trainees using learned leadership skills during typical dealings with subordinates

### **Production Process/Workflow**

1. Assist trainee to prepare material and physical resources for the production process
2. Observe/ critique process from beginning to end
3. Observe plant and process procedures

### **Equipment Operations**

1. Help trainee execute system operations and identify/resolve all problems as it relates to the job
2. Assist Trainee to document findings such as down time, quality issues, process problems

**Trainee Competency:** Trainees will be able to utilize new knowledge, advanced skills, and abilities to work in teams, solve problems, mentor others and improve the work process and product quality.

## **SOST Trainer Activity Plan**

### **Computer Skills**

1. Observe/critique trainees with generating typical company documents using new advanced software skills
2. Help trainees to move, copy, and replace information/data to control company documents
3. Assist trainees in retrieving data needed during a typical work project

**Trainee Competency:** Trainees will be able to use software applications specific to their job responsibilities to create appropriate documents and interact with new MRP processes.